

LS 5-1178

18 May 1955

MEMORANDUM FOR: Inspector General

ATTENTION : Messrs. [REDACTED]

25X1A9a

SUBJECT : Proprietary Project Management

1. I shall try to put into somewhat more concise form the thoughts on proprietary management that we discussed generally yesterday morning. The heart of the matter comes to what I mentioned to you as our focal-point theory. The aim of this is to achieve a reasonable method of resolution between the basic inconsistencies existing in one degree or another in every proprietary. By proprietary here I mean only business concerns, as the inconsistencies do not exist to the same degree in foundations and suchlike cover concerns. In a business concern the chief end is profitable operation and all activities not contributing to good management should be eliminated.

2. For the purposes of our immediate problem, lets not get involved in a discussion of such aspects of modern business management as employee benefits, charitable bequests, and other fairly recent developments which do not show an immediate return on the profit and loss statement. In any case, I believe it is clear that normally intelligence or cold-war activities on behalf of the Agency do not contribute even indirectly to the profitable management and are on the contrary a dead loss in one degree or another and may create a hazard to the continuance of business in the area. These activities are, of course, the true responsibility of the division, staff, or case officer concerned and are the reason for the extension of the proprietary. Consequently, the proprietary is a waste of time and money if it does not meet the operational end in reasonable degree, and on the other hand the operational end cannot be achieved at all unless the proprietary can exist to support the operation.

3. Obviously the only solution is to apply professional operational knowledge and sound business judgment in reasonable balance. Except in the simplest cases, to find this combination

in one person is so rare as to be hardly worth considering. There is, however, a great deal of competence within or available to the Agency to be brought to bear on such problems. To try to determine in advance all the problems in connection with administering proprietaries that will arise in the course of its operations is almost impossible. The most carefully drawn plans are sometimes hampering in that they are not flexible enough to meet changing requirements, and the formation of such plans is enormously time-consuming and frequently is out of date by the time it is completed. We have felt that the solution lies in having a focal point to which the problems must be brought but which in itself has no control function. Its primary purpose would be to analyze the problems brought to it and to bring to bear the competence of appropriate staffs or informed sources within and without the Agency to achieve an agreed upon solution appropriate to the immediate situation. Organizationally the problem is to locate such a focal point. Ideally it would float like Mohammed's tomb in midspace between the Deputy Director (Plans) and the Deputy Director (Support). I realize this is a horrifying thought to organization experts and may, therefore, be completely unacceptable. As an alternative, I feel that the Agency has matured to the point where there is far less jurisdictional feeling between the segments concerned and that as we continue to grow in experience and work together it does not, perhaps, make too much difference whether the so-called focal point is located in the Deputy Director (Plans) or the Deputy Director (Support). The main thing it would require would be people of sufficient maturity and ability to resolve these sometimes extremely complex problems on a reasonable basis. Obviously agreement could not be reached in every case and an appeals system or reference to higher authority would have to be set up. This seems comparatively simple.

4. This function we have in mind would presumably take the place of the Project Administrative Planning Staff, which to give them credit is already doing a good deal of work along this line. Logically too, under our theory, the Commercial Division would thereupon become another staff function loaning its competence as needed to business administration problems. If you wish I think I can give you some good examples of how our theory has actually been put into practice informally one way or another in the past. How it might work is outlined in the attached paper.

Attachment
OGC:LRH:jeb
cc: OGC chrono
subject Proprietary Investments

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LAWRENCE R. HOUSTON
General Counsel